MINNESOTA REQUIREMENTS, DEFERRED INDEXED ANNUITIES

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I. Minnesota Specific Requirements

The following are the requirements that the department analysts will be applying to deferred indexed annuity filings submitted to the department.

A. Readability

Minn. Stat. Chapter §72C.10, subd. 2 The commissioner shall disapprove any contract or policy if the commissioner finds that:

(a) it is not accompanied by a certified Flesch scale analysis readability score of more than 40;

(b)it is not accompanied by the insurer's certification that the policy or contract is in its judgment under the standards of sections 72C.01 to 72C.13;

(c) it does not comply with the readability standards established by section 72C.06;

(d) it does not comply with the legibility standards established by section 72C.07; and

(e) it does not comply with the format requirements established by section 72C.08.

B. Signatures Required

Minn. Stat. §60A.08, subd. 5 All insurance policies shall be signed by the secretary or an assistant secretary, and by the president or vice-president, or in their absence, by two directors of the insurer. The signatures may be facsimile signatures.

Minn. R. Part 2605.0400 Filings made solely to change a company name or officer signature, correct printing errors, or make editorial changes are subject to filing fees.

C. Minnesota Life and Health Insurance Guaranty Association

Minn. Stat. §61B.28, subd. 7 No person, including an insurer, agent, or affiliate of an insurer or agent, shall offer for sale in this state a covered life insurance, annuity, or health insurance policy or contract without delivering at the time of application for that policy or contract or at the time of delivery of the policy or contract, a notice in the form specified in Minn. Stat. §61B.28, subd. 8, or in a form approved by the commissioner under paragraph (b), relating to coverage provided by the Minnesota Life and Health Insurance Guaranty Association.

D. Required Provisions

Minn. Stat. §61A.03 No policy of life insurance may be issued in this state or by a life insurance company organized under the laws of this state unless it contains the following provisions:

Subdivision 1(b) – Grace Period A provision for a one month grace period for the payment of every premium after the first, during which the insurance will continue in force. The provision may subject the late payment to a finance charge and contain a stipulation that if the insured dies during the grace period, the overdue premium will be deducted in any settlement under the policy.

Subdivision 1(c) – Entire Contract A provision that the policy constitutes the entire contract between the parties and is incontestable after it has been in force during the lifetime of the insured for two years from its date, except for nonpayment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war; that at the option of the company, provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident, may be excepted; and that a special form of policy may be issued on the life of a person employed in an occupation classified by the company as extra hazardous or as leading to hazardous employment, which provides that service in certain designated occupations may reduce the company's liability under the policy to a certain designated amount not less than the policy reserve.

Subdivision 1(d) Representations and Warranties – A provision that, in the absence of fraud, all statements made by the insured are representations and not warranties, and that no statement voids the policy unless it is contained in a written application and a copy of the application is endorsed upon or attached to the policy when issued.

Subdivision 1(e) Misstatement of Age – A provision that if the age of the insured is understated the amount payable under the policy will be the amount the premium would have purchased at the correct age.

Subdivision 1(i) Payment of Claims – A provision that, when a policy becomes a claim by the death of the insured, settlement will be made within two months after receipt of due proof of death.

Subdivision 1(j) Settlement Option – A table showing the amount of installments in which the policy may provide its proceeds may be payable.

Subdivision 1(k) Description of Policy – A title on the face and on the back of the policy briefly and correctly describing the policy in bold letters stating its general character, dividend periods, and other particulars, so that the holder will not be able to mistake the nature and scope of the contract.

Subdivision 1(l) Form Number – A form number in the lower left-hand corner of the first page of each form, including riders and endorsements.

E. Contracts to Specify Benefits and Consideration

Minn. Stat.§61A.22 No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, except that contracts on a variable basis need not specify the amount of benefits thereunder or consideration after the initial premium.

F. Provisions in Policies; Laws of Other States

Minn. Stat. §62A.23 The policies of a life insurance company, not organized under the laws of this state, may contain any provision which the laws of the state, territory, district, or country under which the company is organized, prescribe shall be in such policies, and the policies of a life insurance company organized under laws of this state may, when issued or delivered in any other state, territory, district, or country, contain any provision required by the laws of the state, territory, district, or country in which the same are issued, anything in this section and sections 61A.02, 61A.03, 61A.07, 61A.08, and 61A.25 to the contrary notwithstanding.

G. Standard Nonforfeiture Law for Individual Deferred Annuities – Required Contract Provisions

Minn. Stat. 61A.245, subd. 3
(a) In the case of contracts issued on or after the operative date specified in subdivision 12, no contract of annuity, except as stated in subdivision 2, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

> (1) that upon cessation of payment of considerations under a contract or upon the written request of the contract owner, the company shall grant a paid-up annuity benefit on a plan stipulated in the contract of the value specified in subdivisions 5, 6, 7, 8, and 10.
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> (2) if a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company shall pay in lieu of any paid-up annuity benefit a cash surrender

benefit of the amount specified in subdivisions 5, 6, 8, and 10. The company may reserve the right to defer the payment of the cash surrender benefit for a period not to exceed six months after demand therefor with surrender of the contract after making a written request and receiving written approval of the commissioner. The request must address the necessity and equitability to all contract holders of the deferral.

(3) a statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of the benefits; and

(4) a statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which the benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract.

(b) Notwithstanding the requirements of this subdivision, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to that period would be less than $20 monthly, the company may at its option terminate the contract by payment in cash of the then present value of the portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit , and by the payment shall be relieved of any further obligation under the contract.

H. Right to Cancel (Individual Only) – Notice Requirements

Minn. Stat. § 72A.52 In addition to all other legal requirements a policy or contract of insurance described in section 72A.51 shall show the name and address of the insurer and the seller of the policy or contract and shall include a notice, clearly and conspicuously in boldface type of a minimum size of ten points, which shall include the following elements:

(1) a minimum of ten days to cancel the policy beginning on the date the policy is received by the owner;

(2) if the policy is a replacement policy , a minimum of 30 days beginning on the date the policy is received by the owner. Pursuant to section 61A.57, this requirement may also be provided in a separate written notice that is delivered with the policy or contract;

(3) a requirement for the return of the policy to the company or an agent of the company;

(4) a statement that the policy is considered void from the beginning;

(5) for policies or contracts other than a variable annuity or a variable life policy, a statement that the insurer will refund all premiums paid, including any fees or charges, if the policy is returned;

(6) a statement describing when the cancellation becomes effective.

II. Actuarial Filing Requirements

The following are the requirements that the department's actuarial staff will be looking for in deferred indexed annuity filings submitted to the department.

1. Provide a clear indication as to whether the form is new or if it will replace a previously approved form.

2. Indicate whether the filing is for a flexible premium policy or a single premium deferred annuity policy and whether it is a base policy or an endorsement.

3. A specifications page must be provided for contracts and endorsements.

4. If there are any numerical items on the specifications page that are in bracket and intended to be variable, a separate variability statement must be submitted, which provides the range of variability that is sought.

5. The following items must be included on the contract schedule page, to the extent that they are applicable:
    - Initial, minimum, and maximum participation rates
    - Initial, minimum, and maximum index spread
    - Averaging period and indexing period

6. Copies of any illustration materials that demonstrate contract values using hypothetical increases and decreases in the index.

7. A copy of the disclosure statement that will accompany contracts, i.e. a form that the policyholder signs certifying that he/she understands the key features of the contract.

8. An example of the annual report provided to the policy owner of the contract.

9. A complete actuarial memorandum signed and dated by a qualified actuary must be provided with the filing. At a minimum the actuarial memorandum shall include:
    - Detailed demonstrations of compliance with both the retrospective and the prospective tests included in the Standard Nonforfeiture Law for Individual Deferred Annuities.

- The specifically defined method of calculation of the interest rate used in determining minimum nonforfeiture amounts. The method must not permit company discretion in setting the rate.
- A description of the parameters and the mechanics of these contracts, including the application of the crediting rate formula.
- A demonstration of account values, cash surrender values, and formula reserves for a sample contract. All assumptions, formulas, etc.., needed to verify the values should be specified.
- A description of the reserving methodology for each benefit provided in the contract.